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USDA/FAS/EXPORT CREDITS FOR MARY CHAMBLISS, DEPUTY ADMINISTRATOR  
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USDA FOR FAA/WHAO/JBAILEY  
GUATEMALA FOR AGRICULTURAL COUNSELOR

E.O. 12958: N/A

TAGS: [EAGR](#) [EAID](#) [HO](#)

SUBJECT: HONDURAS FY06 USDA FOOD ASSISTANCE PROPOSAL

REF: SECSTATE 139203

1. FAS/Tegucigalpa requests an FY 2006 Food For Progress (FFP) government-to-government grant of USD 9.4 million for Honduras. We request the following donated commodities: USD 3.4 million soybean meal, USD 5 million yellow corn, USD 0.7 million red beans (for direct feeding), USD 0.3 million milled rice (for direct feeding).

2. Corn and soybean meal will be monetized and the proceeds will be used to continue Post-guided strategy of food security, rural development, CAFTA-DR implementation, and administrative support. We propose four programs be supported with the donated commodities.

A. Direct school feeding: The Government of Honduras (GOH) already carries out a very successful direct feeding program. However, with continued high levels of poverty, the fuel crisis, and the threat of drought, the need for additional food is urgent to meet basic nutrition goals for school-age children. The beans and rice will be devoted to direct feeding through the Escuela Saludable program (supported in the FY05 Agreement).

B. Implementation of the National Agricultural Policy: The Ministry of Agriculture and Livestock (SAG) has developed a national agricultural policy for the short, medium, and long term. Since FY03, USDA has supported plans to implement those agricultural policies. Roughly one half of the monetized proceeds will be used to strengthen the implementation of those policies. FY06 funds will continue to support the implementation of ongoing programs, including agribusiness development, agricultural information, agricultural diversification, and good agricultural and food manufacturing practices.

C. CAFTA-DR Implementation: Roughly one half of the monetized proceeds will be used to support Trade Capacity Building activities in support of CAFTA-DR. The primary area would be capacity building in sanitary and phytosanitary systems, especially within the GOH.

D. FFP Technical Assistance Office: A small portion of the monetized proceeds will be used to support SAG's FFP program administration.

3. Justification: First, Honduras is the third poorest country in Latin America. Roughly two-thirds of Hondurans live below the poverty line, and close to half live in extreme poverty. Honduras is slowly overcoming the effects of a long-term economic crisis caused by cyclical low commodity prices for traditional commodities (bananas, coffee), droughts, and floods. The agricultural and livestock sector, traditionally the most important area of economic activity in Honduras, accounted for 13 percent of GDP in 2003, and employed more than 35 percent of the work force. Honduras' potential in agriculture can and should be developed so it can be the driving engine in Honduras' economic development.

4. Second, the GOH is actively promoting economic openness as well as private sector investment as a key element of its national development strategy. The GOH is a strong and dependable ally of the United States' global war on terrorism. In international multilateral fora, especially the United Nations, Honduras is the most consistent Latin American supporter of U.S. positions.

5. Third, Honduras has been a major supporter of CAFTA-DR, and was one of the first to approve the Agreement. FFP proceeds will be used for trade capacity building efforts under CAFTA; these efforts will facilitate U.S. exports to Honduras, as well as Honduran exports to the U.S. The USG made commitments to trade capacity building as part of CAFTA-DR, and a FFP would provide additional resources for rapidly implementing effective programs that will benefit both sides.

6. AgCounselor has discussed this proposal with USAID Honduras, which has cleared this cable. USDA and USAID look forward to cooperating in carrying out development projects in Honduras so as to enjoy synergies and avoid duplication.

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